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Chicago Housing Authority: Plan for Transformation

Improving Public Housing in Chicago
And the Quality of Life

September 30, 1999
Draft
For Public Comment

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Plan Summary

The initiatives proposed here amount to radical change and improvement in the organization of the Chicago Housing Authority (CHA), in the services provided to residents, and its impact on city neighborhoods. It localizes the management of the properties and establishes a realistic approach to capital and operating spending. Plan highlights include:

- $1.5 billion capital program
- Increased funding to connect residents to community-based services
- Reductions in overhead and administration
- Increased funding for management and maintenance
- Professional property management
- New standards of accountability and performance
- More housing choices
- Increased resources for counseling in rental assistance programs
- Demolition of obsolete gallery-style family high-rises
- Public housing for all lease-compliant families
- Improved policing and security
- A broader mix of incomes

The CHA looks forward to working with public housing residents and other citizens of Chicago in transforming the CHA to meet local affordable housing needs, improving the well-being of its recipients, and fostering strong neighborhoods.

Incremental change is not enough. To reshape public housing in Chicago, a new approach is imperative.

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Introduction and Core Principles

This plan outlines the major program changes, policy directions, and organizational initiatives of the CHA for the next several years. It also provides the context for the following companion documents that are submitted along with this plan.

- A list of program waivers and requests that will facilitate the implementation of this plan
- Annual and Five-Year Housing Agency Plans
- FY 2000 Operating Budget
- FY 2000 Comprehensive Grant Program (CGP) Budget
- FY 1999 CGP Budget, revised to reflect the priorities established in this plan.

The Case for Change

On June 1, 1999, the CHA was returned to local control. Despite notable progress by the United States Department of Housing and Urban Development (HUD) over the past four years in stabilizing conditions, the CHA faces considerable challenges, including:

- **A high concentration of extremely poor families.** Residents are physically and socially isolated from the broader community.
- **A large stock of obsolete family housing.** Many CHA developments do not meet minimum standards of safety, functionality, and structural integrity.
- **Properties plagued with crime and drugs.** Crime in CHA developments greatly exceeds city averages.
- **Limited capital funds to meet needs.** The agency's formula-determined capital grant is grossly insufficient to address capital requirements. Compounding this, the agency has not used its capital wisely, with large amounts spent on overhead, security, and other non-capital items.
- **Excessive overhead costs.** If current trends were to continue, overhead would consume a disproportionate share of the operating budget in just a few years and the agency would be financially bankrupt.

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- **Resident programs that are duplicative, poorly coordinated, and without substantive performance measures and outcomes.** The agency spends significant funds on resident programs but the overall impact on improving the quality of life for residents is minimal. In administering these programs, the agency has also operated outside the existing delivery system, leading to further isolation.

- **A lack of internal management capacity.** The agency has history of poor management and ineffective contract monitoring and operates at costs that are significantly out of line with peer institutions. Despite these high levels of expenditures, the agency is not able to deliver basic housing management services.

- **A new policy environment.** Recent federal legislation changes the terms under which public housing is run. First, a new viability rule forces housing authorities to demolish distressed properties that cannot reasonably be revitalized. Second, reversing a decade of failed housing policy, housing authorities must now aggressively seek to de-concentrate poverty and achieve an economic mix of families. Additionally, HUD is introducing a new, tougher scoring system that emphasizes the physical condition of the stock. This threatens to return the agency to troubled status if dramatic changes are not made to the properties.

The need for change is obvious and urgent.

Core Principles

The goal of the CHA is to provide the low-income citizens of Chicago with high-quality housing and help them improve their economic and social well-being. In pursuit of that goal, the CHA has established the following core principles, which form the foundation of this plan.

- Residents should be treated as true citizens of the City of Chicago. As such, the agency should help residents access and connect to services in the community. Moreover, such efforts should emphasize employment and economic self-sufficiency and should be tailored to the needs of each property.

- To the extent that a competitive market already exists to provide any given service, from architecture to property management, the CHA should use that market to maximize services for available resources. The CHA should only do what it can do well.

- The delivery of management services should be property-based. On-site personnel should have the resources and authority to manage effectively.

- The CHA should invest in properties only if the agency can assure that (1) it has the resources to sustain these properties through their useful life, (2) the property can attract and retain a mix of incomes, and (3) the housing does not stigmatize its residents.

- The role of the CHA is to invest in or facilitate housing opportunities. Particularly with the new freedoms made possible by recent legislation, the agency should no longer view itself as primarily an owner or manager of public housing. More broadly, the agency can own, lease, finance, or subsidize housing opportunities, as circumstances warrant.

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Organizational Structure

The organization of the CHA will be divided into the Executive Office and four functional areas: Operations, Development Management, Finance and Administration, and Resident Programs.

- **Operations**. Responsible for the management and repair of all agency-owned or agency-subsidized properties and for Section 8 rental assistance.
- **Development Management.** Responsible for planning and implementing property improvement plans that involve private development partners.
- **Finance and Administration**. Provides budget, accounting, personnel, management information, and general administrative services.
- **Resident Programs.** Provides support and assistance in helping residents link to services. Also acts as liaison with various social, educational, and employment-related agencies.

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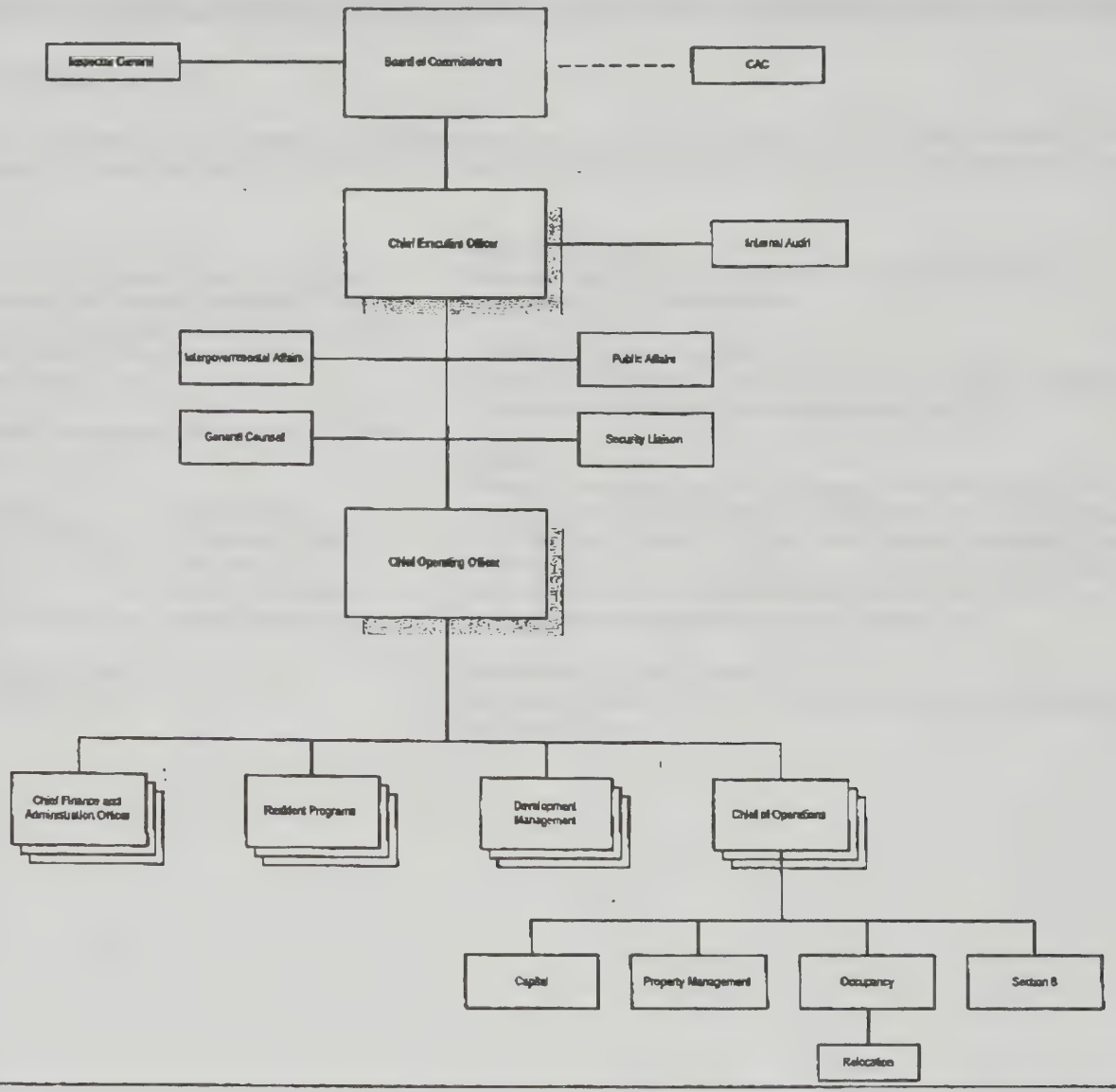
Organizational Chart



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Human Capital Development

This plan establisbes a new approach to human capital development. Under this approach, the primary role of the CHA will be to assist residents in connecting to services in the community, emphasizing jobs and self-sufficiency. Moreover, the agency will focus these services at the property level, where they can be more effectively coordinated.

Service Connectors
At the core of the agency's new strategy for human capital development is $15 PUM ($5.8 million annually) in funding for "Service Connectors." These are resources that will allow the agency to employ qualified individuals to help access services for residents. This service connector model will be implemented in the first quarter of 2000.

Through this service connector model, the agency will help residents to access the following kinds of services:

Youth Services	Adult Services	Senior Services
Health screening	Employment services	Comprehensive health
Inoculation	Day care	Home care
Education	Parenting	Continuing education
Recreation	Drug-abuse counseling	Money management
After-school	Health	
Tutoring/mentoring	Life-skills counseling	
	Transportation	

Resident Leadership
The agency will continue to fund activities under the CAC/LACs at approximately $1.5 million annually.

Attracting Outside Resources
The agency will aggressively seek funds from foundations and public agencies to supplement the resources provided directly by the CHA.

Treatment Services
Although the emphasis will be in assisting residents to access services in the community, the agency will make available $2.0 million annually (through the Drug Elimination Grant) for drug treatment services. These will be funds that residents can use to purchase services in existing drug treatment facilities. Although this represents a small percentage of the overall need, these funds will help the agency to address critical and urgent needs

Inter-Agency Service Coordination
Core agency staff will provide overall oversight and will assist with inter-agency coordination.

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Capital Program

This plan provides a realistic and comprehensive approach to capital spending. It also maximizes opportunities for resident participation and leveraging private resources and development expertise. Although the CHA's total inventory will be reduced, units will be rehabilitated or redeveloped to a market standard. The Capital Program will continue to provide job opportunities to residents under Section 3 and to MWBE firms.

Funding Availability

The agency currently receives $148 million annually under the CGP program (capital grant). Assuming level funding, this amounts to $1.5 billion over ten years, including $33.9 million in carryover funds from FY 99. Of this amount, the agency has budgeted 3% for construction management, 6% for Architectural and Engineering fees (including funds for resident technical assistance in redevelopment planning), 10% for capital maintenance, and 7% for contingency. Therefore, the amount available for building improvements – for the rehabilitation or redevelopment of public housing – would be $1.1 billion. These figures assume that demolition and relocation costs are funded separately by HUD (see list of waivers and requests). These amounts are shown in Exhibit 1.

In contrast, total capital needs, based on the cost to "fix as-is", exceed $3.5 billion.

Exhibit 1

Capital Program: 10-year Funding Projections and Uses of Funds

Category	Amount	Percent
Construction and Development Management Staff	$48,000,000	3%
A&E Services and Resident Technical Assistance	$94,288,000	6%
Capital Maintenance	$156,000,000	10%
Building Improvements	$1,111,837,200	74%
Contingency	$111,030,000	7%
Total	$1,513,900,000	100%

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Section 202 Viability

Under a 1996 law, demolition is required when the monthly per-unit cost to renovate and maintain any contiguous property with more than 300 units and with a vacancy rate in excess of 10 percent exceeds the monthly cost of a housing voucher. All CHA family properties subjected to this test failed (see CHA's FY 2000 Annual Agency Plan).

Funding Allocations

The CHA's proposed capital program groups the agency's properties into five main categories: Existing Redevelopment Commitments, Senior Buildings, Scattered Sites, Non-202 Family Properties, and 202 Family Properties. The proposed allocation of funding for these categories are as follows:

- **Category 1: Existing Redevelopment Commitments.** A total of eight property clusters have either approved redevelopment plans or plans that are well along in the process. The capital program includes commitments totaling $149 million to fund these existing redevelopment projects, many of which are subject to court orders. These are funds needed mostly to supplement other funding such as HOPE VI.

- **Category 2: Senior Buildings.** The capital program includes $350 million to rehabilitate fully all 9,480 units in senior buildings. This figure also includes funds to install air conditioning and other amenities.

- **Category 3: Scattered Sites.** The capital program allocates $77 million to rehabilitate 2,393 scattered site units. The agency estimates that 18 percent of the scattered site stock (525 units) will be demolished or disposed because conditions do not warrant continued investment. The agency will work with community-based development organizations and other groups for re-use options.

- **Category 4: Non-202 Family Properties.** A total of ten properties (3,051 units) are not currently subject to the Section 202 viability rule. The capital program allocates $107 million to these properties. This funding is based on the cost to rehabilitate all units with the exception of: (1) Lawndale Complex, which is slated for demolition, and (2) Washington Park Low-rises, where it is assumed that the agency will dispose/demolish units equal to the number that are now vacant. In order to maximize funds, the CHA will seek partners to redevelop these Category 4 properties through a competitive proposal process (see below). Because of their age and design, modest density reduction is also likely for a number of the properties in this category. The agency expects that the total number of public housing units following redevelopment to be not less than the current number of occupied units (2,318).

- **Category 5: Family properties subject to Section 202.** The balance of the agency's capital funds, $429 million, will be reserved for the remaining 13 Section 202 properties (and Randolph Towers, which, although not currently subject to section 202, is a gallery style high-rise). The Section 202 test requires the CHA to demolish all properties in this category. The CHA believes that many of the mid-rise and low-rise properties in this category could be rehabilitated to serve a range of incomes. Rather than allocate specific amounts to any particular property in this category, the CHA will make available the entire $429 million through a competitive process wherein private developers would propose how best to maximize these resources. Firms submitting bids for this last category of properties would be free to propose either rehabilitation or new construction, except in the case of the gallery-style high-rises, which will be torn down. (This particular building type cannot be reasonably renovated and maintained.) The agency, together with residents, will select those

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proposals that offer the greatest value, based on criteria discussed below. By accessing the market, the agency expects to attract other sources of funds. This proposal process will determine which properties are truly viable and can, with continued investment, attract and retain a mix of incomes. The agency expects this "market-driven" process to result in approximately 5,000 new or redeveloped public housing units in a mixed-income setting. Successful HOPE VI applications and private funds will increase the number of units produced.

Exhibit 2 shows the current number of units in each category, the number occupied, the expected number of units to be demolished, the total number of public housing and other units following revitalization, and the allocation of future CGP funds.

Proposal Criteria

The CHA will work with residents, sister agencies, and other partners to develop evaluation criteria for development investment proposals for properties in Category 4 and 5. Such criteria would likely include the following:

- The proposed redevelopment or rehabilitation should meet a market standard and, over time, retain a mix of incomes.
- In developing proposals prior CHA resident strategic planning efforts should be considered.
- Should demolition of any buildings be proposed (except for gallery-style high-rises), respondents must explain why rehabilitation would not be capable of attracting and/or retaining a mix of incomes.
- The proposal should accommodate, to the maximum extent possible, all lease-compliant residents who wish to remain in the post-revitalized property.
- The proposal should maximize the efficient use of all public funds (CHA, city, state, federal) and other public assets and demonstrate how that will be accomplished.
- Proposals must demonstrate how all public housing assets contribute directly to the provision of safe, decent public housing units, and whose operation as public housing is sustainable over the long-term.
- Benefits to residents (firm job commitments, educational benefits, etc.) would also be considered in the selection criteria.
- All proposals must meet new livable design and development standards.

Public housing residents and community partners will participate in the selection process. The agency expects this proposal process to take up to 18 months.

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Summary

Overall, the capital program will result in a net fixed stock of public housing, owned or subsidized by the CHA, of approximately 24,344 units. The final number will depend on level funding, the extent of leveraging, and success in attracting outside resources. Subject to congressional appropriations, the agency anticipates obtaining housing vouchers for all units demolished. The agency may also use the value of a portion of these replacement vouchers to fund related counseling services for relocating public housing residents. (The agency's plans for relocation assistance are discussed later in this document.) This plan develops enough units so that, following redevelopment, the agency can accommodate all lease-compliant families who must relocate with the opportunity to return to a public housing community.

The agency intends to accelerate these improvements over five years by collateralizing its annual capital grant funding (i.e., to bond against expected future funding amounts). Authority for this action is requested under the accompanying list of waivers and requests to HUD. After undertaking the capital improvements proposed in this plan, funds would be available in future years to fund debt service payments.

The agency will initiate a public planning process over the next six months to prioritize the phasing and sequencing of the planned capital improvements.

Timetable for Market-driven RFP Process	
Action Item	**Date**
1. Begin drafting RFP with residents	January 2000
2. Complete first draft of RFP	April 2000
3. Issue RFP for Category 4	June 2000
4. Receive proposals for Category 4	September 2000
5. Review period for proposal selection	Sept-Nov 200
6. Selection of site RFPs for Category 4	December 2000
7. Issue RFP for Category 5	January 2001
8. Receive proposals for Category 5	March 2001
9. Selection of site RFPs for Category 5	September 2001
10. Select finalists for Category 5 RFP	December 2001

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Plan for Transformation -- Draft

Chicago Housing Authority Capital Plan Source: Unit Status Report 07/13/99	Existing Units	Occupied Units	Demo Units	After Revitalization Total	After Revitalization Public Housing	CGP Funding	GGP Cumulative (7)
Category 1 - Existing Redevelopment Commitments							
Henry Horner	1,688	661	1,201	1,196	1,086	32,200,000	
Cabrini North	926	154	926	2,300	700	25,000,000	
ABLA (8)	3,235	1,180	2,776	3,278	1,463	18,000,000	
Wells/Madden/Darrow (1)(8)	2,891	1,514	2,821	2,530	1,008	39,000,000	
Robert Taylor B HOPE VI (2)	-	-	-	251	251	-	
Hilliard	710	338		710	390	33,500,000	
Washington Park (3)	56	13	-	56	14	1,300,000	
Lakefront (4)	-	-	-	964	241	-	
Subtotal	*9,506*	*3,858*	*7,724*	*11,225*	*5,153*	*$149,000,000*	*$149,000,000*
Category 2 - Senior Developments	*9,480*	*8,010*	*0*	*9,480*	*9,480*	*$350,000,000*	*$499,000,000*
Category 3 - Scattered Sites (5)	*2,918*	*2,422*	*525*	*2,918*	*2,393*	*$77,000,000*	*$576,000,000*
Category 4 - Non-202 Family Properties							
Cabrini Ext. Lincoln	18	18					
Lake Parc Place	300	230					
LeClaire Courts	300	274					
Washington Park Lowrises	488	239					
Lawndale Complex	225	126					
Lawndale Gardens	90	21					
Latrop	925	763					
Bridgeport Home	155	139					
Wentworth	422	393					
Lowden Homes	128	115					
Total	*3,051*	*2,318*			*2,318*	*$107,000,000*	*$683,000,000*
Category 5 - 202 Family Properties							
Mid-rises, Low-rises, and Non-gallery High-rises							
1230 N. Burling (9)	134	100					
Cabrini Extension South	597	476					
Cabrini Rowhouses	586	483					
Trumbull	486	391					
Ickes	1,006	644					
Dearborn	800	644					
Altgeld Murray	1,998	1,749					
Subtotal	*5,607*	*4,687*					
Gallery High-rises							
Green Homes	968	582	968				
Rockwell Gardens	1,136	447	1,136				
Stateway Gardens	1,644	705	1,644				
Robert Taylor A	1,734	807	1,734				
Robert Taylor B	2,050	800	2,050				
Washington Park HRs	468	199	468				
Randolph Towers	155	133	155				
Subtotal	*8,155*	*3,653*	*8,155*				
Total, Category 5	*13,762*	*8,340*	*8,155*	*TBD*	*6,000*	*$429,000,000*	*$1,112,000,000*
TOTAL ALL CATEGORIES	*38,717*	*24,948*	*16,404*	*TBD*	*24,344*	*$1,112,000,000*	

Notes:

1. Pending 2000 Hope VI Application.
2. Only demolition of five (5) buildings; all units to be replaced off site.
3. 56 existing CHA units to be sold to non-profit developer in exchange for CHA release of 14 rennovated units; the remaining 42 residents will be given Section 8 Certificates for use in the area.
4. Under Consent Decress w/LCD. CHA is to develop 241 replacement units for Lake Front buildings in N. Kenwood/Oakland.
5. Assumes 18% of units do not warrant continued investment.
6. Not subject to Section 202.
7. Assumes HUD funding.
8. Units and CGP $ needed are estimates pending final master plan.
9. Although Gallery Style High Rise, pending further Agency review and public comment regarding demolition.

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Property Management

The CHA will radically change its approach to property management.

Approximately 60 percent of the agency's stock is managed either by private firms or Resident Management Corporations (RMCs) and 40 percent is managed by agency staff. Regardless of the management model, the agency centrally maintains control of major building services – non-routine maintenance, security, evictions, maintenance supplies, and more. The result is high costs and diffused accountability.

To correct these conditions, the agency will contract with professional property management organizations for all remaining agency-managed units between April 1 and June 1, 2000, beginning first with senior properties. Ample capacity and interest exists, locally and nationally, among private firms to assume this responsibility provided the agency implements a more conventional model of private management. Consequently, the agency will shift authority and responsibility to the private firms for day-to-day management. Because such changes will require an entirely new contract between the CHA and the private managers, the agency will re-bid all properties, including those currently under private management. To complement these efforts, the agency will also substantially increase the operating funding to the private managers, largely by reducing overhead and other centralized costs.

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Authority and Responsibility

Even as the agency has hired private managers, it has retained many of the day-to-day management and maintenance responsibilities, from rent collections to work order intake. The agency will now transfer to the private managers those functions that are typically performed by fee-managers in the conventional market (see Exhibit 3).

Accountability

For better oversight, the agency will strengthen its contract monitoring systems. The contract management unit will be expanded from current staffing of 10 to 33. Each asset manager will be assigned responsibility for approximately 3,000 units. Moreover, each property will have an annual management and capital plan, which includes security services, through performance will be measured. The agency's management information system is being upgraded so that key performance data on each property – rent collections, work order response times, occupancy, etc. – will be available on-line to each asset manager.

In-House Construction Services

In-house construction services ("force account" work), ranging from vacant unit preparation to environmental remediation, will be transferred to the private managers, who will perform this work themselves or contract with third-party vendors.

Resources

At the heart of the agency's transformation plan is the development of a new project-based budgeting system and substantially increased funding for the property budgets. With the transfer of the responsibility for maintaining the properties to professional management companies, the agency will also assign the resources to get the job done. On average, the agency will assign $300 per unit monthly (PUM) to each property, which includes $40 PUM for capital maintenance. This figure is substantially more than current funding and equates well with other assisted housing in Chicago, given differences in stock. Exhibit 4 shows the proposed allocation of operating budgets by property types.

Building Consolidation

The absence of a long-term capital plan has forced the agency to maintain partially-occupied buildings, creating an environment that encourages gang and criminal activity. The agency will prepare consolidation plans for all gallery-style high-rises by June 1, 2000. The goal is to provide residents who must move at least four months of notice.

Architectural and Engineering Service

The agency will soon procure multi-year A&E services that are assigned to specific building types. This will improve familiarization and continuity in the delivery of professional services.

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A transition timetable for property management is found in Exhibit 5.

Exhibit 3
Summary of Major Changes in Private Management Contracts

Rent Collections	Rents are currently sent to a centralized "lock box" and entries maintained by the CHA. The CHA also sends out rent statements and late notices. All such functions will be transferred to the private managers, who will collect rent on site, enter data into the agency's integrated computer system, and generate all respective notices.	Utility Management	The private managers are not currently involved in either the payment of utility bills or the monitoring of utility consumption. Water and sewer bills will now be sent directly to the manager for payment. Because of well-head arrangements and existing energy performance contracts, the agency will continue to arrange for payment for gas and electric bills but will continue to explore ways to decentralize these arrangements as well.
Applicant Screening	With the adoption of site-based waiting lists, the screening of applicants will be handled on-site.	Evictions	The private managers will now be responsible for handling of evictions and securing appropriate legal representation.
Work Order Intake	The agency operates a central "work order control center" that receives all work order requests from residents. This function will be disbanded and residents will call their respective management office to place a work order.	Payment of Management Fee	Also consistent with standards in the conventional market, the private firms will invoice the project account at the beginning of the month for payment of their management fee as opposed to waiting for agency reimbursement
Force Account	Work currently performed by agency "force account" crews, mostly in the area of vacancy preparation and environmental remediation, will be transferred to the private managers.	Heating Plant Maintenance	The responsibility for heating plant maintenance will be incorporated into the new private management contracts.
Security Services	The procurement and administration of security guard contracts, currently centralized, will be transferred to the private managers.	Emergency Maintenance	Responsibility for all emergency maintenance work will be transferred to the private managers.
Non-routine Maintenance	Centralized agency crews currently perform most non-routine maintenance work. Each property will be assigned $40 PUM for non-routine maintenance, which will permit the private managers to hire qualified contractors or supplement existing staff.	Security Deposits	The administration of the security deposit accounts will be transferred to the private managers.
Payment of Operating Subsidy	Under the current structure, the management company incurs operating costs and then requests monthly reimbursements from the agency. Consistent with practices in the conventional market, the agency will establish a monthly payment schedule for operating subsidy to the property. These operating subsidies will be paid at the beginning of each month, eliminating the need for this monthly reconciliation of actual expenses.	Financial Reporting	Current financial reporting requirements will become both standardized and streamlined.

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Exhibit 4
Estimated Assignment of Non-utility Budgets, by Property Type (1)

Category	PUM	Annual
Senior Properties (9,480 units)		
Routine	$230	$26,164,800
Capital Maintenance	$40	$4,550,400
Security (2)	$27	$3,048,480
Total	$297	$33,463,980
Family low-rises (6000 units)		
Routine	$260	$18,720,000
Capital Maintenance	$40	$2,880,000
Total	$300	$21,600,000
Family Mid-rises (5,237units)		
Routine	$322	$20,254,740
Capital Maintenance	$40	$2,513,760
Total	$362	$22,768,500
Family High-rises (12,000 units)(3)		
Routine (4)	$260	$37,440,000
Capital Maintenance	$40	$5,760,000
Total	$300	$43,200,000
Deprogrammed (6,000 units)	$193	$11,016,000
Unallocated Security Costs (5)	N/A	$1,951,520
Total Funds		$134,000,000

Notes:
1 – Unit counts by category are approximations.
2 -- Assumes 12-hours of contract guard service daily.
3 – Exclusive of deprogrammed units.
4 – Assumes high –rises will not be preparing vacant units for rent.
5—To be assigned to family properties based on security assessments.

Exhibit 5
Timetable of Major Action Items for Property Management

RFP for Senior Properties	October, 1999
Award of Senior Properties	February, 2000
RFP for Family Properties	December, 1999
Award of Family Properties	June, 2000
Transfer of Centralized Management Functions	April, 2000
New Budgets	January, 2000
New Contract Monitoring System	January, 2000
Architect/Engineering RFP	October, 1999

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Lease and Occupancy

Changes to lease and occupancy policies will complement proposed changes in property management. The larger goal is to effect a broader mix of incomes in public housing and greater lease compliance.

- **Lease enforcement and applicant screening.** To insure that properties are attractive to families with a broad range of incomes, the CHA plans administrative changes in support of strong and consistent lease enforcement efforts by professional property managers. Applicant screening (see site-based waiting lists, below) will also become the responsibility of the property manger, although the agency will establish uniform standards.

- **Site-based waiting lists.** Although in need of streamlining, a modified site-based waiting list system is currently in place for senior buildings. As part of the Public Housing Annual Agency Plan, CHA is proposing to implement site-based waiting lists for the family properties as well. These site-based waiting lists are essential for marketing and attracting working families.

- **Designated housing.** Also with its Annual Plan submission, the agency is requesting authority to designate all or a portion of senior properties as "senior only."

- **Local preferences.** The new Admissions and Continued Occupancy Policy (an attachment to the Annual Plan) proposes local preferences in support of income mixing. In addition to the income range requirements established by the 1998 housing bill, the CHA proposes a local preference for upwardly mobile families, defined to include families with an adult member who is working or attending job training or an educational institution.

- **Income disregards.** The CHA will continue this requirement so that families who go to work after a period of unemployment are not penalized.

- **Rents.** The CHA has ceiling rents in place but will develop a flat (market-based) rent so that residents with increased earnings have a greater incentive to stay in public housing and contribute to the income mix. The CHA may also explore other rent options to encourage upward mobility.

- **Close family waiting list.** The agency has in excess of 30,000 applicants on the family waiting list. Although this list has not been purged for many years, there are far greater applicants than the agency can serve over the next five years, particularly given anticipated relocation needs.

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Protective Services

The plan introduces a new approach to policing and shifts the responsibility for security services to the property level.

- **Security guard services.** The agency will continue to fund security guard service at approximately $5 million annually, primarily for contract guards at senior buildings. The procurement and oversight of this guard service, however, will be transferred to the private managers, as opposed to centralized agency staff. These funds are in addition to the base budgets ($300 PUM average) to each property.

- **Law enforcement.** Discussions are underway with the City for improving law enforcement through a new community-based policing strategy. Also, as properties are redeveloped, and particularly as gallery-style high rises are demolished, the need for policing services will be greatly reduced.

- **Site-based security plans.** In conjunction with the preparation of the annual budget and management plan for the property, each private manager will provide a security plan for the property, addressing items ranging from physical improvement to tenant patrols. This plan will be developed in consultation with residents.

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Section 8 Rental Assistance

CHA administers approximately 27,000 Section 8 certificates and vouchers. In the last several years, the management of this program has improved tremendously under private contract. Except for units reserved for court-ordered efforts, the Program is approaching one hundred percent lease-up. The main activities and initiatives under the Section 8 rental assistance program in the years ahead include:

- **Merger of vouchers and certificates**. The 1998 Housing Bill merges and consolidates the Section 8 certificate and voucher program into one housing choice voucher program. This change will simplify the program for landlords and increase choice for residents.
- **Use of administrative fee savings to continue and expand mobility counseling and service connection efforts.** Through private management, the agency has been able to reduce its administrative costs. In support of mobility efforts, the agency will use these savings to expand pre-move and post-move counseling services, with particular emphasis on families relocating from CHA buildings. It will also continue its efforts to provide "second move" mobility counseling services.
- **Landlord outreach.** The agency intends to improve landlord outreach efforts and introduce additional incentives for landlords to participate in the program.
- **Use of regional rental market study to assess the need for exception rents and changes to the payment standard.** The agency has received approval of "exception" rents for 15 high-rent sub-markets in the city.
- **Retain private management but revamp contract performance standards and incentives.** The new contract will provide even higher standards for performance but will also provide incentives for surpassing agency goals.
- **Inspections.** The focus will be on maintaining a strong Housing Quality Standards inspection program but also of expediting inspection turnaround times.
- **Household participation standards.** The agency is considering adopting tougher eligibility standards for families to quality for issuance of a voucher.

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Relocation

Relocation services will be provided to all households who must be moved as a result of either modernization or redevelopment.

- **Modernization.** Where a property is to be modernized, but not demolished or redeveloped, relocation will occur mostly within the development as a transfer to another public housing unit. Typically, the contractor begins with a portion of the site or building that is vacant, rehabilitates it, and then transfers the first group of families into completed units. The contractor then moves to the units just vacated and starts the process anew.

- **Redevelopment.** For buildings that are to be demolished or redeveloped, residents will be given the option to transfer to other public housing or obtain a Section 8 voucher. Families will receive extensive pre-move counseling and assistance in accessing services. Families relocating with Section 8 will also receive mobility counseling so they can make informed choices and secure adequate housing. The agency will also provide post-move counseling. All lease-compliant households who must relocate to Section 8 or to another public housing property prior to redevelopment will have preference over new admissions in returning to their community of choice.

The agency estimates that approximately 6, 150 households will need to be relocated to Section 8 over the next five years as a result of demolition of obsolete high-rises or other redevelopment projects, or on the order of 1,230 annually.

A preliminary CHA analysis suggests that while the overall market is tight, there are soft spots in the market and that this level of absorption can be accommodated. More comprehensive information will be available, and incorporated into the CHA 5-year plan, when the regional market analysis is completed on November 1, 1999. Success rates from the agency's Section 8 program in the past year support this view. Currently, 91 percent of certificate/voucher holders are successful in finding housing. The agency will closely monitor success rates to determine if additional efforts will be required, including the expanded use of exception rents.

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Consolidated Budget

Exhibit 6 shows the consolidated budget for the four main subsidy programs discussed in this plan for years FY 2000 through FY 2004.

- Owned rental (public housing operations)
- CGP (capital)
- Section 8 rental assistance
- Drug Elimination Grant

These budgets are exclusive of outside grants.

The agency is requesting (see list of waivers and request submitted along with this document) to consolidate these four funding sources into one block grant.

For purposes of presentation, the five-year projections assume the following:

- **Level funding of all four programs without adjustment for inflation.** Similarly, costs are not indexed for inflation.
- **Five years of capital funding.** Although the agency seeks to access ten years of capital funding over five years by bonding future amounts, the exhibit shows only five years of funding.
- **No change in unit status.** Over the next ten years, the distribution of total units (from project-based to tenant-based) will change as the agency demolishes obsolete high-rises. These budgets do not reflect the shift in subsidy from one program to the next or reallocation of expenses.

Revenues assume loss of public housing units in 2000 and in 2001.

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Chicago Housing Authority
Consolidated Financials
FY2000-FY2001

Category	1999	2000	2001
Revenue			
Rents	$39,786,859	$42,341,420	$35,719,000
Miscellaneous Income	1,098,311	1,208,534	699,057
Operating Subsidy	163,217,354	167,469,305	164,167,803
Drug Elimination Grant	8,679,970	8,261,440	7,848,368
Section 8 HAP Payments	178,477,225	191,312,671	204,704,558
Section 8 Administrative Fees	19,715,469	20,660,338	21,693,355
Capital Grant	148,740,733	148,740,733	148,740,000
City/State	6,886,044	6,786,194	6,786,194
Other	25,234,918	28,200,181	11,635,975
Total Revenue	$591,836,874	$614,980,816	$601,994,310
Expenses			
Administrative	22,686,121	19,081,170	10,000,000
Property Management	113,280,252	122,744,694	109,841,000
Utilities	55,442,889	50,545,962	42,288,396
Police	24,468,076	19,999,975	20,000,000
Resident Programs	33,202,061	22,757,262	13,700,000
Payments to Landlords	178,477,225	191,312,671	191,312,671
Section 8 Administration/Counseling	17,402,425	17,121,577	17,121,577
Capital Outlays	103,654,072	141,600,000	141,600,000
General Expense	43,223,753	29,817,505	21,357,132
Total Expenses	$591,836,874	$614,980,816	$567,220,776

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List of Waivers and Requests

Chicago Housing Authority

September 30, 1999
Draft
For Public Comment

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LIST OF WAIVERS AND REQUESTS

When control of the CHA transferred from HUD to the City of Chicago on June 1, 1999, it was recognized that standard interventions would not be enough. Because of the enormous challenges facing the agency, certain waivers and other requests would be necessary for turnaround efforts to be successful. These waivers and requests were to be submitted along with the agency's Annual and Five-Year Plan.

As evident through its Plan for Transformation, the agency is willing to take bold action to affect real change. The following waivers would greatly facilitate the agency's planned improvements.

General		
1	Ten-year program commitment	The waivers and requests submitted here should be extended for a period of ten years.
Funding Issues		
2	Full replacement housing with vouchers for any units not replaced with "hard" units	Already agreed to by HUD.
3	Conversion to "block grant" system of funding, indexed annually for inflation	The agency requests to merge the four main subsidy programs – operating, capital, Drug Elimination, and Section 8 rental assistance – into one funding stream and requiring one unified financial report. This would greatly reduce extraneous reporting requirements and enable the agency greater flexibility in the use of funds (i.e., full fungibility). It would also provide the agency with greater incentives to find ways to increase rental and other income and not have its subsidy reduced, including utility savings.
4	Leverage	Allow agency to leverage its future funding stream to accomplish capital improvements over five years. (No separate waiver would be needed if proceed with conversion to block grant and full funding fungibility).
5	Demolition Costs	The agency is requesting an up-front commitment to fund all demolition costs associated with the capital plan, estimated at around $85 million. Under current Notices of Funding Availability, a CHA application for demolition would generally be ranked in the first priority for funding. However, the agency requests firm commitment for these funds and waiver of the need to submit such applications.

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6	Relocation and Counseling	The agency estimates that the capital plan will result in the need for at least temporary relocation of upwards of 8,500 households. The agency requests $25 million in relocation costs and counseling in connection with these efforts.
7	Waive Outstanding Debt	To the extent that any debt is remaining on any property that is to be demolished or disposed, the agency requests that such debt be waived/forgiven, including funds advanced for emergency repairs.
Development Regulations/HOPE VI		
8	Mixed-finance Requirements	The agency requests a waiver of all mixed-Finance requirements so that the agency can attract private sector development partners and take advantage of time-limited opportunities in the market place. This would also allow the agency to develop reasonable policies and procedures to determine major development decisions appropriate to local market conditions, including design standards, unit size guidelines, and acquisition of sites without prior HUD approval.
9	New public housing units in mixed finance developments	Waive the prohibition of new family public housing units in mid-rise elevator buildings where public housing units are mixed with non-public housing units. Such properties, both rental and for-sale, are viable building type in the Chicago marketplace.
10	Total Development Costs	The agency requests waiver from HUD's Total Development Cost limits for public housing units due to necessary costs associated with demolition and redevelopment of obsolete family housing.
11	Funds for Replacement Reserves	Along with full funding fungibility, the agency requests authority to use its resources to establish replacement reserve accounts for all properties and to use block grant funds for annuities for master leases and similar investment vehicles.
12	Streamlined Demolition/Disposition Processing	The agency requests streamlined processing and agreement regarding demolition and disposition activity so that proper redevelopment activity can proceed.
13	Use of CDBG funds for new construction of mixed-finance public housing transactions.	Waive typical regulations restricting the use of CDBG funds for new construction in the case of mixed-finance public housing developments. For mixed-finance public housing developments, remove the restriction on the use of CDBG funds or new construction by organizations that are not Community Based Development Organizations. CDBG provides an important source of secondary mortgage financing for affordable housing in the City of Chicago. Expanding the use of the funds for these transactions would allow greater City participation in mixed-finance public housing.
14	Augment Section 202 Viability Test with Market Viability Program	The agency has 13 family properties that are subject to the Section 202 viability test. Five of these properties are gallery-style high-rises, which the agency has determined will be demolished. The remaining properties are mostly low-rise and mid-rise properties. For these latter properties, the agency requests augmenting the Section 202 cost test with the market-driven program which would allow rehabilitation of some or all buildings in a development if they can be viable in the Chicago market place, outlined in the Plan for Transformation.

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Occupancy		
15	Pet rules	The agency requests waiver from the new pet rules and instead recommends adoption of local industry practice.
16	Lease and Grievance	In order to attract and retain a mix of incomes, the agency requests that federal lease and grievance rules be replaced with state and local landlord-tenant laws. The agency would continue to afford due process.
17	Bi-annual Recertifications	For seniors, the agency requests bi-annual, as opposed to annual, recertification requirements.
18	Rent Reform	The agency requests authority to establish reasonable rent policies to foster incentives for working families, provided such policies are adopted only after public comment and provided exemptions for hardship cases. This authority is essential for its expansion of mixed-income properties and for encouraging working families.
19	Designated Housing	The agency requests authority to designate any or all senior buildings as "senior only."
20	Housing Offers	The agency requests that, under site-based waiting lists, the offers of housing be made at the properties and not centrally.
21	Housing Assistance Tied to Self-Sufficiency	The agency requests authority to tie housing assistance to self-sufficiency efforts. Such efforts would only be adopted after public comment.
22	Deconcentration	Given that the average income of a public housing household in CHA family housing today is just 12.5 percent of the median for the area, the agency requests that HUD recognize that "deconcentration" requirements under the new housing bill will be accomplished gradually. The agency also requests that, for mixed-finance developments in which public housing units are combined with non-public housing units, the public housing units in such developments shall not be subject to income deconcentration requirements. Low income deconcentration (economic integration) goals should be deemed to be met by the mixing of public housing units with units affordable to households with higher levels of income.
Modernization		
23	Obligation and Expenditure Rules	With merged funding, the agency would no longer be subject to separate obligation and expenditure deadlines for modernization funds since those funds would lose their separate identity.
24	Obligation and Expenditure Reporting	These reports would be eliminated (see discussion above).
25	Allowable Costs	The CHA would adopt local standards for allowable costs.
Procurement		
26	Negotiated Contracts	HUD rules currently prohibit "negotiated" contracts for any services other than Architectural and Engineering. The

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		agency requests authority to negotiate contracts for all professional services, consistent with standards in local government. Such flexibility would not alter any requirements that the agency has in the area of Section 3 or MBE/WBE participation.
27	Legal Services	The CHA requests waiver from rule requiring prior-HUD approval for use of outside legal counsel. Such flexibility would not alter any requirements that the agency has in the area of Section 3 or MBE/WBE participation.
Section 8		
28	Project-Based Section 8	Waive rule limiting the number of project-based Section 8 units to 15 percent of total certificates/vouchers. Additionally, the agency requests that payment standards may be varied from the fair market rents established for neighborhoods within the metropolitan area, based on agency underwriting and reasonableness determination for the purpose of providing project-based rental assistance, particularly to supportive housing developments, assisted living developments, and other developments serving populations with special needs. Decisions to increase FMRs will be made in the context of a fixed block grant amount.
29	Fair Market Rents	Allow CHA to establish locally-determined FMRs, provided funded from fixed block-grant amount.
30	Inspection Protocols	Allow agency to develop inspection protocols that reward high-performing landlords.
31	Homeownership	To increase opportunities for utilizing Section 8 assistance to foster homeownership, the agency requests that payment standards may be varied from the fair market rents established for neighborhoods within the metropolitan area, based on agency underwriting and reasonableness determination for the purpose of supporting qualified families in home ownership. Decisions to increase FMRs will be made in the context of a fixed block grant amount.
32	Suitability for Tenancy	Waive 24 CFR Part 982.2, Admissions Criteria for Section 8, to permit agency to screen for suitable tenancy for Section 8.
Administrative		
33	Endowment Trust/Supportive Services	Expand the authority provided in the Quality Housing and Work Responsibility Act of 1998 to create "endowment trusts for supportive services" by investing the portions of HOPE VI/site revitalization grants dedicated to resident services in trusts to provide such services over time. Allow CHA to invest some or all funds dedicated to supportive services in this manner.
34	Investment Policies	In lieu of HUD rules, allow agency to adopt state cash investment policies. Also permit expanded ability to invest funds and collect interest (without recapture or reduction in subsidy) in support of a foundation program for certain resident activities.
35	Family Self-Sufficiency	Allow agency to replace existing Family Self-Sufficiency Program with locally determined program.
36	Annual and Five-Year Plans	Allow agency to develop annual and five-year plans in a format consistent with the challenges/issues locally.

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37	Wage Rate Monitoring	Allow the agency to develop streamlined processes for monitoring wage rate requirements.
38	Public Housing Assessment System (PHAS)	PHAS would be waived for a period of five years. PHAS would be replaced principally with the following process and performance goals. The agency would continue to be subject to the resident survey and the independent physical inspections; however, these results would be advisory only and the agency would not be graded. The CHA proposes to measure its operating performance according to the following criteria: **Process Goals** • Substantial completion of market-driven RFP process by 12/2001. • Maintain at least an average of $300 PUM for property budgets (on-going). • Substantially transfer centralized management functions to private managers by 4/2000. • Complete RFP process for private management of senior/family properties by 6/2000. • Complete building consolidation plans by 6/2000. • Substantially implement new contract monitoring system by 4/2000. • Complete the demolition of obsolete family high-rises by 6/2005. **Performance Goals** • Rent collections -- Collect 97% of rent billed each month by 9/2000. • Work order response times – Respond to all emergency work within 24 hours by 6/2000; respond to all routine work orders within average of 25 days by 6/2001. • Physical condition – Assure that all units meet HQS or that work orders are completed on units failing HQS within 30 days by 12/2001. • Occupancy – Achieve 97% adjusted occupancy (adjusted for units vacant due to modernization, deprogramming, litigation, fire damage, or market conditions) by 6/2001 for all senior buildings; 12/2001 for scattered sites; 6/2002 for all remaining units, except that all "redeveloped" units and/or modernized units would be expected to be in compliance immediately following modernization/redevelopment.

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** TOTAL PAGE.31 **

1. Poor layout ↔ too much purple land

2- Need bare traffic signal @ Lowdale

3. clean up Morse ave area

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